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Approved For Release 2008/03/03 : CIA-RDP78Z02997A000100130013-0

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TO : Department of State

E.O.11652: Exempt from Automatic Decontrol  
authorized by RNGrantINFO :  
DEPT PASS:

FROM : Amembassy TAIPEI

DATE: November 26, 1975

SUBJECT : FY 1976 GROC Budget

REF : (A) CERP 0200 (B) Taipei's A-212 November 29, 1974  
(C) Taipei's A-78, April 23, 1975

## I. SUMMARY

The FY 1976 GROC budget (referred to as the Central Government Budget) amounts to NT\$87.5 billion (US\$2.3 billion), 14.8% higher than in FY 1975. Current revenue is projected to increase, however, by only 9.9%, meaning the deficit will increase substantially, from NT\$4.96 billion to NT\$9.16 billion (US\$241 million) and will equal 10.5% of the total budget as opposed to 6.5% last year. Defense spending will increase at a slower pace than the total budget, rising only 11.1% from NT\$42.33 billion (US\$1.11 billion) to NT\$47.01 billion (US\$1.2 billion) accounting for 7.8% of the country's GDP. Although defense spending in absolute terms increases, the defense share of the total budget decreases from 55.5% to 53.7%. The share of the defense budget required for personnel costs increases slightly from 56.9% in FY 1975 to 60.2% this year, while spending for equipment and supplies decreases from 26.5% to 23.7% in the same period.

The civilian sector, mainly those items related to economic development, benefit from the gradual shaving away of the large defense share of the budget. The highest growth this year has been for transportation and communications (up 123%), economic development (up 87%), investment expenditures (up 63%), and education, science and culture (up 27%). Although the total amount being spent for these categories is much smaller than for defense, still the trend toward greater emphasis on development as an objective while trying to maintain the same level of national security with a smaller share of the total resources is clear.

Enclosure: Tables 1-8

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FORM 3-70 DS-323

Drafted by:

Drafting Date:

Phone No.:

Contents and Classification Approved by:

ECON:DMC/amer/CHWu:sd

11/14/75

224

A/ECON/COMM COUNS:RNGrant

Clearances:

POL: FBurnes

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Another trend being promoted by the Premier is to reduce the portion of the budget used for consumption expenditures in favor of capital outlays. In this fiscal year capital expenditures account for 26% of the total, compared to 21.6% last year and only 17% the year before. A major part of this spending is for the 10 major projects, for which the Central Government has appropriated NT\$15,648 million (US\$412 million) in FY 1976, or 31.8% of total requirements. Borrowing from the private sector (domestic and foreign) will be at a lower level this year, covering only 50% of the cost of the 10 projects as compared to 66.7% last year.

It is difficult to forecast what the effect of the FY 1976 budget will be on the economy. However, since the larger than usual planned deficit may be turned into a small surplus as the budget is actually implemented, and the two major devices for financing the deficit--the sale of bonds and the use of prior year earnings--are contradictory with one being expansionary and the other contractionary, the net impact should be about neutral.  
END SUMMARY

## II. FY 1976 CONSOLIDATED BUDGET (TABLES 1 AND 2)

A. Introduction. Because of the highly centralized nature of the government in the ROC, the budget documents prepared for the Central Government include tables showing the budgets of the Taiwan Provincial Government (TPG), the Taipei Municipal Government and all lower level governments lumped together as "local governments." Although each budget has to be reviewed and approved by the respective legislative body, changes made by them, if any, are minor and therefore the appended tables on the consolidated budget, although tentative, are substantially correct. Although budget analysis in most countries focuses mostly on the central government, a procedure which is most convenient for comparative purposes, the Embassy has decided to take advantage of the unique opportunity offered by the ROC budget process to include in this report the consolidated budget of all levels of government.

As reported in Reference B, the traditional classified Central Government Budget was declassified beginning in FY 1975 except for the portion of expenditures to be disbursed by the Ministry of Foreign Affairs (MOFA), the Ministry of National Defense (MND) and the Atomic Energy Commission (AEC). The Embassy prepared Reference C based on the unclassified proposed budget furnished by the Directorate General of Budget, Accounts and Statistics (DGBAS), soon after the Central Government budget for FY 1976 was submitted to the Legislative Yuan (LY) March 28. Reference C is classified because it contains the Embassy's estimation of the defense budget. The budget was approved by the LY on May 27, 1975, without a quantitative change from that proposed, and subsequent to the completion of printing the Embassy obtained from the DGBAS a copy of the classified and unclassified portions. This report was then prepared on the basis of the Embassy's own translation of

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the documents concerned and should be considered to be for government use only. This airgram is therefore classified.

B. Total. The FY 1976 (July 1, 1975 - June 30, 1976) consolidated budget of all levels of government of the ROC totals NT\$132,676 million (US\$3,491 million), an increase of 19.0% over FY 1975 (see Table 1). In addition, the Central Government has budgeted in FY 1976 NT\$2,000 million (US\$53 million) from the Sino-American Fund for Economic Development (SAFED). This "extra-budgetary" support, which is equivalent to 1.5% of the consolidated budget for FY 1976 compared to 1.9% in FY 1975 and 2.6% in FY 1974, is primarily for financing agriculture and infrastructure development projects but is of diminishing importance due to its dwindling resources.

The FY 1976 consolidated budget, exclusive of debt service charges, is estimated at 20.4% of the projected Gross Domestic Product (GDP) compared to 19.4% in FY 1975. However, it should not be concluded that the government sector consumes so much of the nation's GDP since the consolidated budget in its condensed form does not distinguish between capital expenditure and consumption expenditure. The national income statistics (CERP Publication No. 016) discloses that from 1965 to 1974 government consumption as a percent of GDP went down from 16.7% to 14.7%. The trend may be reversed slightly in 1975 and 1976 as the pace of economic growth has slowed while the government budget continues to grow.

Deficit financing projected in the consolidated budget for FY 1976 amounts to NT\$13.6 billion (US\$358 million), the sum of lines 9 and 18 of Table 1) which represents 10.3% of the total budget and is more than twice the size for FY 1975. However, the tax revenue and monopoly profits projected in the budget, both the consolidated and the Central Government budget, have been traditionally underestimated, and this pattern no doubt will appear once again this year. For instance, the NT\$85.7 billion of tax revenue and monopoly profits included in the FY 1975 consolidated budget resulted in actual collections of NT\$97 billion (see pp. 75-76, CERP Publication No. 013).

C. Receipts. As already pointed out, tax revenue and monopoly profits (line 2, Table 1) which constitute almost three-fourths of the total receipts, were substantially underestimated in FY 1975, and no doubt for FY 1976 as well though probably on a smaller scale. A more realistic estimation of tax revenue and monopoly profits based on the assumption of a parallel growth with the economy would favor a higher figure of NT\$105 billion in lieu of NT\$95.8 billion currently budgeted. This calculation is based on

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actual revenue collections of NT\$96,992 million in FY 1975 and an assumed 8.4% GDP growth and revenue growth in FY 1976<sup>1/</sup>.

D. Expenditures. Four functional categories in the FY 1976 consolidated budget grew faster than the budget as a whole (19%), namely education, science and culture, up 40% (line 13 of Table 1), "other" up 39% (line 16), economic development, up 32% (line 14), and social welfare, up 23% (line 15). For several years education had received special attention to provide the added resources needed when the government increased the required free education from 6 to 9 grades. The program seemed about completed in FY 1975 when the share of the total budget allocated to this function decreased to 13.9% from 15.5% the previous year. This year the trend was reversed, and the NT\$6.2 billion (US\$163 million) increase from FY 1975 to NT\$21,740 million (US\$527 million) brought the functional share of this category to 16.4%. The reason for new emphasis on education became apparent when the Premier addressed the National Education Conference November 5 and said the Government will improve health and sports facilities, rebuild dilapidated school buildings, and replace broken equipment in the next three years. The rate of increased expenditures for this function are higher at the provincial and local levels, rising 44%, than in the Central Government which increased spending for this purpose 27%. Additional comments are contained in the discussion of the latter budget below.

The increased expenditures on "social welfare" are also more concentrated at the lower government levels, but do not have widespread impact since the funds are to be used to increase benefits for government employees only--retirement pensions, housing project subsidies, life and health insurance, etc. This program does indicate the continued attention of the government to improving the relative status of its employees compared to those in the private sector. Insufficient data is available to explain the increases in the "other" category. Comments on the higher allocations to economic development are offered below in the section on the Central Government Budget.

<sup>1/</sup> The official preliminary current-price GDP for calendar 1974 was NT\$537,456 million (CERP Publication No. 016). The estimates of current-price GDP for calendar 1975 and 1976 included in the preface of the FY 1976 Central Government Budget document are NT\$598,596 (US\$15,752) million and NT\$673,680 (US\$17,728) million, respectively. These estimates represent 11.4% and 12.5% annual growth. More recent calculations by government agencies, made since the budget was prepared 8 months ago, show lower growth in the neighborhood of 6.7% (4.0% due to price change and 2.7% real) for 1975 and 10% (5% each for price change and real) in 1976. This would produce a projected GDP of NT\$573,466 (US\$15,091) million and NT\$630,813 (US\$16,608) million for 1975 and 1976, respectively. On a fiscal year basis, using the second half of one calendar year and the first half of the next, the GDP for FY 1975 was NT\$555,461 million and for FY 1976 will be NT\$602,139 (US\$15,845) million showing a growth rate from one fiscal year to the next of 8.4%

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Defense and debt service charges show moderate growth of 11.1% and 11.6% respectively, in the FY 1976 consolidated budget. Since the former is a Central Government expenditure, it will be discussed later in the section on the Central Government Budget. The moderate growth in debt service charges is the result of the improved government financing in the last few years which has made possible less dependence on borrowings and bond issuance. The negative growth of 7.3% in general administration (line 12 of Table 1) is surprising. It originates in the budgets of the TPG and the local governments under TPG (same line of Table 2). Without detailed budgetary data other than for the Central Government, it is difficult to explain what has happened. It may be that certain types of expenditures have simply been reallocated to the Central Government or Taipei city or have been reclassified into some other budget item.

E. Inter-government Budgetary Relations. The budget for the local governments projects a rise of 20% in receipts and 24% in expenditures in FY 1976 (column 5, Table 2) over FY 1975 (column 10). The resultant deficit rises to NT\$10.2 billion from NT\$7.9 billion a year ago. The major portion of this deficit will be met by transfers from the TPG which, in turn, will be partially covered by a subsidy from the Central Government. However, there remains a large unfunded deficit of NT\$1.9 billion after consolidation, compared to only NT\$0.3 billion in FY 1975 (line 18 of Table 2).

## III. FY 1976 CENTRAL GOVERNMENT BUDGET (TABLES 3-8)

A. Total

(NT\$ billion)

	<u>FY 1976</u>		<u>FY 1975</u>		<u>% Change</u>
	<u>Amount</u>	<u>% Share</u>	<u>Amount</u>	<u>% Share</u>	
Total Expenditures	87.51	100.0	76.25	100.0	14.8
Defense	47.01	53.7	42.33 <sup>2/</sup>	55.5	11.1
Non-defense	40.49	46.3	33.92 <sup>2/</sup>	44.5	19.4
Total Current Revenues	78.35	89.5	71.29	93.5	9.9
Total Deficit Financing	9.16	10.5	4.96	6.5	84.7

The above table shows that the GROC has departed from its traditional conservative fiscal policy by planning a higher level of deficit financing

<sup>2/</sup> Differs from the FY 1975 budget (Reference B) in which the increase pay for military and non-military personnel was apportioned based on past experience and it is now listed according to actual allocations which became available only in the notes to the FY 1976 budget.

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than usual. While expenditures are projected to grow 14.8%, current revenues will increase by only 9.9%, leaving a deficit of NT\$9.16 billion (US\$241 million) or the equivalent of 10.5% of the expenditures, compared to 6.5% last year. If an actual deficit should result from the execution of the budget, however, it would be the first time in a decade. As pointed out in Section II. B and C above, the projected revenues are traditionally underestimated. In his administrative report to the Legislative Yuan in September the Premier reported that there had been a surplus of NT\$5 billion in the FY 1975 budget, in contrast to the projected deficit of NT\$4.96 billion. This surplus was produced in a fiscal year when the economy had actually shrunk (that is, in the second half of 1974 and the first half of 1975 when the combined production was probably 3.5% below where it had been in the previous FY). Now that the economy is beginning to recover, it seems entirely possible that the revenues will grow more than expected (see the next section for more detailed discussion).

B. Current Revenues (Table 3). Current revenues in the FY 1976 Central Government Budget (line 1 of Table 3) are estimated at NT\$78.3 billion, occupying 89.5% of the total budget (93.5% a year ago) and representing an increase of 9.9% over the preceding year. Tax revenue and monopoly profits (lines 2 and 8) are projected to grow by 9.9% to NT\$64.3 billion. This growth rate seems to be a bit optimistic if the GDP growth of 8.4% mentioned in footnote 1 approximates reality. On the other hand, the FY 1975 budgeted tax revenue and monopoly profits on which this optimistic growth rate is applied are understated (see II. C above). Assuming that the 67.13% Central Government share of total tax revenue and monopoly profits for FY 1976 (line 2 of Table 2, derived from column 2 divided by column 1) would remain valid when a more realistic estimate of such collections by the government of all levels is adjusted upward to NT\$105,139 million (from NT\$95,828 million budgeted, see page 3 above), the total of tax revenue and monopoly profits for the coffers of the Central Government would be adjusted upward to NT\$70,584 million (from NT\$64,333 million presently budgeted). This shows the possible extent of the underestimation of the principal revenue items--by NT\$6.251 million (NT\$70,584 million - NT\$64,333 million).

The largest source of revenue, responsible for 28.6% of the total, continues to be customs duties. An increase of 15.6% over last year is projected from this source, higher than the increase for all revenue of 9.9%, and must be based on an assumed increase in trade, in value at least if not in volume. However, the performance of the trade sector has not been strong so far this fiscal year and will have to improve if this projection is to come true. The projected growth rates for the next two most important revenue sources, the commodity and business tax (line 5, Table 3) and income tax (line 3) are much lower, 7.4% and 0.1% respectively. These figures reflect the slower pace of economic activity being experienced this year and the very low profit margins in many business sectors.

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As pointed out in II. C above, line 9 "Enterprise Profits" consists of government-owned enterprises cash and stock dividends to be paid to the Treasury. The item is not the level of earnings of the national enterprises but is rather the result of an arbitrary decision (i.e. policy decision) to return a certain amount of earnings to the government. However, there are several component changes worth mentioning. In the FY 1976 budget, cash dividends to be paid to the Treasury by Taiwan Sugar Corporation are projected at NT\$1,776 million compared to NT\$126 million a year ago. This phenomenal increase reflects the windfall profits from the high price of sugar last year. On the other hand, the transfer of TaiPower's current year profits is set at NT\$1,225 million compared to NT\$1,705 million in FY 1975, showing lower profits probably due to inadequate power rates compared to the increased cost of fuel. The Chinese Petroleum Corporation (CPC) which used to be the number one cash dividend donor to the Central Government until FY 1974 (NT\$2.5 billion that year), has ceased this practice since then due to the huge oil price increases and the desire to keep domestic price increases on petroleum products to a minimum.

C. Deficit Financing (Table 3, Lines 14-17). The total of "Non-Current Receipts for Deficit Financing" (line 14) represents the excess of total budgeted expenditures (current, capital and transfer expenditures) over the current revenues. This year the gap is to be filled by: a) sale of government properties worth NT\$775 million (line 15), b) sale of bonds worth NT\$3.5 billion (line 16), and c) appropriation of prior-year budget (cash) savings of NT\$4.9 billion (line 17).

The authority to issue government bonds to help finance the deficit stands at the same level this fiscal year as last, although no bonds were sold last year, nor the year before. However, the Government decided to issue NT\$1.6 billion in bonds to finance part of the North-South Express Way late in FY 1975. By the time the paper work could be done and the bonds issued the new fiscal year had started, so they hit the market in September. The result of the action, and the main reason for it, was to slightly reduce the money supply. This monetary measure was desirable under present circumstances when the level of money in circulation was 24.5% above the same month in 1974 (end of September).

The appropriation of prior year savings is a new source of funds to help finance the deficit and will be used specifically to provide NT\$2 billion for the "Food Stabilization Fund," NT\$1.3 billion for the "Development Fund," NT\$1.1 billion for CPC, etc. This measure, on the other hand, is expansionary since the funds appropriated from prior year savings will be withdrawn from government deposits in banks.

What the actual impact of the FY 1976 budget will be on the economy is hard to determine. Although a larger than usual deficit is projected, which

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would be expansionary, in actual implementation the budget may produce a slight surplus. Furthermore, two of the measures mentioned above to finance the deficit, the sale of bonds and the use of prior year savings, are contradictory and may in part cancel each other out. On the other hand, the government can apply these two instruments selectively to achieve the particular monetary effect desired at the time. Thus the sale of the first NT\$1.6 billion in bonds in September did help to shrink the money supply and thus partially reduce inflationary pressures. Use of the authority to sell additional NT\$1.9 billion may be unnecessary, while the withdrawal of the prior year savings from the banks may be reserved until a definite stimulus is considered desirable. On balance, looking at the entire 12 month period of the fiscal year, the net impact of the budget will probably be about neutral.

D. Expenditure (Tables 4 and 5). Table 4 shows the budgeted expenditures broken down by function and Table 5, by organization. The figures for FY 1975 in both tables were revised from the previous submission (Reference B) in order to accommodate the government employees' increased pay either functionally or by organization instead of being lumped together as in the FY 1975 budget. Defense expenditures shown in Table 4 also differ from the original Chinese version budget in which some of the expenditures to be discharged by the Ministry of National Defense (MND) were disseminated among several other functions--social welfare, education, etc. In the Embassy's Table 4 these are regrouped into defense expenditures where they actually belong. In addition, the Embassy has classified all defense expenditures as current expenditures (in line 27), whereas in the original FY 1976 budget, a sum of NT\$2,032 million was treated as capital expenditures (in line 28).

An analysis of the shifting percentages of the budget allocated to the various categories and their differing rates of growth reveals the current policies and priorities of the government as clearly as any number of speeches and responses to interpellations in the Legislative Yuan by spokesmen of the executive branch. The most impressive thing about the ROC budget from year to year has been the unusually large percentage allocated to defense. The necessity for this is generally accepted and understood. However, the growing importance attached to the economic development of the country is shown by the fact that its share of the budget has been rising steadily while funds allocated to defense have been gradually shaved down in recent years, from 61.7% in FY 1974 to 55.5% in FY 1975, and 53.7% in the current fiscal year. However, the defense budget has continued to grow in absolute terms, thus making it possible to meet the increasing costs of operation and acquisition of new equipment. In the meantime, the increasing allocations to other categories of the budget have provided the wherewithal to upgrade the infrastructure and promote further social and economic improvement. Defense expenditures will be discussed in detail in a later section.

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The highest growth categories in the budget receiving a share of 1% or more of the total are transportation and communications (line 14 of Table 1) increasing 123%, economic development (line 13) increasing 87%, government enterprise fund and investment expenditures (line 23) increasing 22% (this item is discussed separately in Section 2 below), and education, science and culture (line 12) increasing 27%. All are related to the economic welfare of the country.

The largest part of the increase in the transportation and communications item (line 14) is accounted for by a new NT\$715 million allocation to subsidize the TPG for highway construction (not included in line 22--subsidies). The 87% increase in the functional category economic development is accounted for by increased allocations to various specialized funds. The Rural Development Program of the Joint Commission on Rural Reconstruction receives NT\$1,210 million, as opposed to only NT\$500 million last year and there are similar large increases for the Mining Rationalization Fund and the Export Promotion Fund. More money is needed for the latter since the ROC has been beefing up its commercial representation abroad, the number of trade missions, and the number of trade exhibitions held in the ROC.

The 27% increase in the allocations to education, science and culture are partly explained by the new government policy announced by the Premier at the education conference held from November 5 to 8, and referred to above. The plan to improve the physical facilities of the schools and universities mentioned by the Premier is implemented by the capital portion of the functional category "Education, Science and Culture" (line 12) which increased by 55% from FY 1975 (from NT\$957 million or US\$25 million to NT\$1,481 million or US\$39 million), while the current expense portion grew only 16%, from NT\$2,389 million to NT\$2,771 million. The budget of the Ministry of Education itself increased by 43.8% to NT\$2,811 million (US\$74 million), with most of the increase allocated to land acquisition, construction and equipment for the various national universities. A smaller part of the increased amount available in this category is to be used for sending sporting and cultural teams abroad. The Government seems to feel this type of activity is increasingly important as the more usual means of representation abroad through diplomatic missions has diminished. Another program receiving additional resources is the training of ROC students abroad. At the education conference mentioned above the Premier also said that starting next year (academic year 1976-77) the government will sponsor 100 students for training overseas, instead of the present 20 or so. In this way it will be possible to provide the necessary technicians for the national reconstruction as proposed in the new 6 year economic plan beginning January 1, 1976. Greater activity in the field of science includes a 23.7% increase in National Science Council funds and a 29% increase in research projects undertaken by the Atomic Energy Commission (rising from NT\$525.9 million or US\$13.8 million, to NT\$679 million or US\$17.9 million).

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The rapid growth of the foreign affairs budget experienced in FY 1975, 94%, is reversed this year. This category decreased by over 5% and its share of the total budget dropped from 2.2% to 1.8%. The Ministry of Foreign Affairs, which spends most of the money in this functional category, anticipates only a very small increase in costs of operating posts abroad (line 9.a of Table 5), in spite of inflation. The cost of international technical cooperation (line 9.b) is expected to decrease this year by 17% as the size of the ROC's foreign technical assistance program decreases.

The figures in lines 27 and 28 of Table 4 show the total Central Government budget distributed only into two categories--current and capital expenditures. To facilitate analysis, the Embassy has allocated all defense related capital items into line 27 (current) since this type of investment does not provide the basis for further economic production. On this basis it becomes clear that the Government is doing what the Premier told the Legislative Yuan last April (when the budget was first presented) that it intended to do, namely, curb current consumption in favor of capital expenditures (see Reference C, p.2). Capital expenditures have been steadily increasing, from 17% of the total in FY 1974 to 21.6% in FY 1975 and to almost 26% this fiscal year (line 28). The needs of the 10 major projects together with the newly announced capital improvements for the educational system must be the principal components of this category of expenditure.

1. Defense (Table 6). Defense expenditures are budgeted at NT\$47.0 billion (US\$1,237 million) for FY 1976, showing an increase of 11.1% over FY 1975 which is less than the overall budget increase of 14.8%. Consequently, defense expenditures as a percentage of the total Central Government Budget declined to 53.7% in FY 1976 from 55.5% in FY 1975 and 61.7% in FY 1974 (see Reference B). This trend is consistent with the Premier's remark before the LY that in the last 10 years the government has implemented a policy of fewer but better soldiers, while not risking national security. Defense expenditures will occupy 7.8% of GDP in FY 1976 compared to only 7.6% a year ago, which is attributable to an estimated 8.4% current price GDP growth during FY 1976 (see footnote 1 above) which is lower than the 11.1% growth in defense expenditures.

Identifiable personnel expenditures to be discharged by the Ministry of National Defense (MND), including personnel of the Taiwan Garrison Command, are military personnel, retirement and insurance, dependents, and human resources support (except military education), i.e. lines 3, 4, 5, 6, 7, (except 6a), and 20a of Table 6, all of which total NT\$28.3 billion (US\$744.7 million) in FY 1976. These personnel expenditures eat up 60.2% of the total defense budget compared to 56.9% in FY 1975 and only 54.1% in FY 1974.

The two most important non-personnel defense expenditures are supplies and maintenance and military equipment (lines 11 and 12) amounting to NT\$7.3 billion (US\$192 million) and NT\$3.8 billion (US\$100 million) respectively. The former showed a modest 4.9% growth over FY 1975 while the latter, a 9.8% decrease. As a percentage of the defense budget, these two items altogether declined to 23.7% in the current FY from 26.5% in the preceding FY. Table 8, "Estimated Foreign Exchange Expenditures of the Central Government," shows a total of US\$260 million available to MND in FY 1976 for the

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same two purposes, supplies and equipment. This amount is 77% of the total allocation of foreign exchange and 18.5% more than was provided MND last year. However, it is impossible to tell from the budget document what the relationship is between the figures in the two tables. Taken at face value, the total amount appropriated in line 12 of Table 6 for military equipment of US\$100 million would almost all be spent abroad if there is a one-to-one relationship with line 5b of Table 8, where US\$99 million is mentioned. This seems unlikely, and the problem of arriving at a reconciliation is further complicated by the fact that the allotment in Table 6, line 12, for equipment decreased this fiscal year from last by 9.8% while the same item in Table 8 increased by 27%. The information contained in Table 6 must be definitive while that in Table 8 is an "estimate," so the conclusion must remain that the Government has budgeted for a reduced appropriation of "new" money for acquisition of military equipment. The inference is that despite emphasis on modernizing the armed forces, the GROC has not budgeted to increase the tempo of new equipment purchases for this purpose. In contrast to the above two items, military intelligence (line 8) registered a 16.7% increase over that budgeted in FY 1975 to reach NT\$1.7 billion (US\$44.7 million). Other sub-categories include a negative 7.8% growth in construction of facilities (line 16) which receives NT\$1.6 billion (US\$42 million); a positive 8.8% growth in science and research (line 15) to reach NT\$813 million (US\$21.4 million) plus an additional item, science and research facilities (line 17), receiving NT\$332 million (US\$8.7 million).

Very little information is provided in the budget on the cost of servicing the U.S. military loans. Although not explained in the text, the servicing cost must be included in line 12 of Table 6. Based on the estimated service charges of US\$42.5 million in FY 1975 (see Reference B), and an increase of US\$0.2 million (NT\$8,162,953 @ 38.05) in FY 1976, the only thing about this subject actually mentioned, the total loan service charges provided in the FY 1976 budget should be US\$42.7 million.

2. Investment Expenditures (Table 7). Investment expenditures of NT\$14,479 million (US\$381 million) provided by the Central Government Budget in FY 1976 show a strong growth of 22% in spite of a low 8.4% growth in current price GDP (footnote 1 above) and a 14.8% growth in the total budget. It should be noted that this growth in investment expenditures is projected on the basis of the FY 1975 investment budget which already registered an increase of 144.4% over FY 1974 (Reference B).

A portion of the total investment expenditures represents nominal stock dividend transactions--profits to be transferred from the government-owned enterprises (lumped together in lines 8 and 9 of Table 3) and the Treasury's additional investments to be transferred to the same enterprises in this Table. The remainder consists of cash outlays, a trend which developed only in recent years. Identifiable cash investments in FY 1976 will reach NT\$9,048 million (US\$238 million) or 62% of the total in Table 7. This is

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much larger than the cash investments of NT\$3,964 million (US\$104 million) or 33.4% of the total investment budget in FY 1975.

The first category of this table entitled "direct investment" refers to the proposed equity investments in wholly government-owned enterprises. The principal beneficiaries in FY 1976 include TaiPower, Chinese Petroleum (CPC) and the Central Bank which will receive additional capital of NT\$1,410 million (US\$46.7 million), NT\$1,410 million (US\$37 million), and NT\$900 million (US\$23.7 million) respectively. The first two enterprises will have cash investments of NT\$468 million and NT\$1,085 million plus stock dividends while the Central Bank's additional capital is entirely made up of stock dividends. Almost all other investments under this sub-category are to be paid in cash by the Treasury. Cash investments have become common since FY 1975 and the trend is intensified in FY 1976. In prior years it was the government policy to capitalize an enterprise's retained earnings and utilize borrowings for any additional capital requirements.

China Steel and China Shipbuilding are the two major recipients of government capital under the second category "portfolio investment." The cost of these projects is being spread through several years until the late seventies. In the case of China Steel, Central Government investment will be 45% of its total equity investment of NT\$10.64 billion (US\$280 million) or NT\$4.79 billion (US\$126 million). Capital investments already paid in FY 1971-75 amounted to NT\$2.69 billion and NT\$1.24 billion is appropriated in the current FY, leaving a balance of NT\$855 million yet to be provided in future years. With respect to China Shipbuilding, the Central Government subscribes 45% of its total equity capital of NT\$2.2 billion (US\$58 million) or NT\$990 million (US\$26 million). Prior year appropriations totaled NT\$537.8 million, leaving a balance of NT\$452.2 million yet to be made which is being fully subscribed in the current budget.

In the third category of "non-profit projects," the Ministry of Finance emerges as the number one donor and trustee of two large funds entitled "Development Fund" and "Food Stabilization Fund," each receiving NT\$2 billion (US\$526 million) in FY 1976. The purpose and operation of these two funds is not mentioned in the budget document.

In his speech presenting the proposed FY 1976 budget to the Legislative Yuan on April 4, 1975, the Premier gave some basic information about the level of expenditures planned for the 10 major projects and the financial sources. He said the total requirements for this fiscal year are NT\$49,237 (US\$1,295 million), down NT\$8,929 million from last year when NT\$58,166 million was used. The sources for the funds this fiscal year are NT\$15,658 million (US\$412 million) from the Central Government (31.8% of the total); NT\$3,061 million from the TPG (6.2%); NT\$13,669 million (US\$359.7 million) from foreign loans (27.7%); NT\$11,342 million from domestic loans (23%); NT\$2,736

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million from government enterprises (5.5%); NT\$1,816 million from private investment (3.7%); and NT\$965 million from deferred customs duty (2%). The government (Central and TPG) has assumed a much larger share of the total cost this year than last, 38% versus 20.1% while borrowing from the private sector, foreign and domestic, drops from 66.7% in FY 1975 to 50% this year.

The contribution of the Central Government to the financing of the 10 projects consists of NT\$9,845 million (US\$259 million) for the North-South Freeway (NT\$6,382 million from a special budget--not further identified--and NT\$3,463 million carried over from earlier stages of construction) and NT\$5,803 million (US\$153 million) allocated to other projects as follows:

	(NT\$ million)	(US\$ million)
Investment in TaiPower (line 7 of Table 7)	1,775	47
Investment in CPC (partial line 9 of Table 7)	425 <sup>3/</sup>	11
Investment in China Steel (line 20 of Table 7)	1,242	33
Investment in China Shipbuild. (line 21 of Table 7)	452	12
Taoyuan Airport Project (part of line 38 of Table 7)	1,159	30
Northern Railway Link (part of line 22 of Table 4)	450	12
Expansion Suao Harbor ( ditto )	300	8
Total	5,803	153

3. Estimated Foreign Exchange Expenditures (Table 8). As mentioned above, it is impossible to determine from the information available in the budget document exactly what the relationship is between the figure in Table 8 and the amounts appropriated in Tables 4, 5 and 6. However, for purposes of analysis we will assume that the amounts shown in Table 8 are all covered in the appropriations for the various agencies as shown in earlier tables. Total expenditures for foreign exchange covered by Table 8 are US\$340 million or 14.7% of the total budget. This represents a 14.5% increase over the estimates for FY 1975 (slightly less than the overall budgetary growth of 14.8%). Assuming an 8.4% growth in goods and service exports in FY 1976 (identical with the current-price GDP growth), the budgeted foreign exchange spending is expected to be about 5.1% of total

<sup>3/</sup> Related to the Petrochemical Project and other investment in CPC amounting to NT\$985 million related to oil refining and other.

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export proceeds<sup>4/</sup>. It is an insignificant drain on the ROC's foreign exchange resources. Foreign spending by the lower level governments is negligible.

As in the previous fiscal year, the Ministry of National Defense is the largest foreign currency spender according to the FY 1976 Central Government Budget. A sum of US\$261 million is earmarked for the Ministry in FY 1976, showing a fairly significant increase of 18.5% over FY 1975 and also a gain in the relative importance of total foreign exchange expenditures to 76.8% from 74.2% a year ago. The Ministry of Foreign Affairs is ranked second, receiving US\$37 million, but this represents a decline of 2.9% from FY 1975. This parallels the decline in the total MOFA budget referred to above. The Ministry of Communications, Atomic Energy Commission and Ministry of Education each will spend 2.1% (US\$7 million) of the total foreign currency budget. Spending of all other government budgetary units is negligible.

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<sup>4/</sup> Based on the ROC's balance of payments data for July-December 1974 and January-June 1975 and assuming 8.4% growth in exports of goods and services in FY 1975 or a total sum of US\$6,522 million. The above total foreign exchange spending of US\$340 million in FY 1976 equals 5.1% of the total.

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Table 1

CONSOLIDATED BUDGET OF GOVERNMENT OF ALL LEVELS<sup>1/</sup>  
FYs 1975 and 1976

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	<u>In NT\$ Million</u>		<u>% of Total</u>		<u>% Increase or Decrease</u>
	<u>FY1976</u>	<u>FY1975</u>	<u>FY1976</u>	<u>FY1975</u>	<u>1975/1976</u>
1. RECEIPTS (Sum of 6 & 9)	<u>130,743</u>	<u>111,185</u>	<u>98.5</u>	<u>99.7</u>	<u>17.6</u>
2. Tax Revenue & Monopoly Profits	95,828	85,688	72.2	76.9	11.9
3. Enterprise Profits & Agency Operational Revenue	11,642	10,794	8.8	9.7	7.9
4. Fees & Fines	5,251	4,238	4.0	3.8	23.9
5. All Other Current Revenue	6,340	4,270	4.8	3.8	48.5
6. Total Current Revenue	<u>119,061</u>	<u>104,989</u>	<u>89.7</u>	<u>94.2</u>	<u>18.1</u>
7. Bond Sales & Borrowings	4,850	4,150	3.7	3.7	16.9
8. Sales of Government Properties & Investments	6,832 <sup>2/</sup>	2,045	5.1	1.8	234.1
9. Total Non-Current Receipts	<u>11,682</u>	<u>6,195</u>	<u>8.8</u>	<u>5.6</u>	<u>188.6</u>
10. EXPENDITURES <sup>3/</sup>	<u>132,676</u>	<u>111,500</u>	<u>100.0</u>	<u>100.0</u>	<u>19.0</u>
11. Defense	47,014	42,328	35.4	38.0	11.1
12. General Administration, Incl. Police Force	13,886	14,979	10.5	13.4	-7.3
13. Education, Science & Culture	21,740	15,529	16.4	13.9	40.0
14. Economic Development	31,400	23,813	23.7	21.4	31.9
15. Social Welfare	7,587	6,174	5.7	5.5	22.9
16. Other	6,936	4,990	5.2	4.5	39.0
17. Debt Service (Principal & Interest)	4,114	3,688	3.1	3.3	11.6
18. BUDGETARY SURPLUS OR DEFICIT (-)	<u>-1,933</u>	<u>-315</u>	<u>1.5</u>	<u>0.3</u>	<u>513.7</u>

(Totals and Sub-totals Separately Rounded)

Source: "Reference Materials" appended to respective FY1975 and FY1976 Central Government Budget.

1/ The figures shown in the above are close approximations. For FY1975, the data appended to the FY1975 Central Government Budget is still used in this table in lieu of the figures shown in the column of "Budget for the Previous Year" of the FY1976 Budget. The latter is about 2% more than this table. The latter series does not provide the breakdown by government level.

2/ Includes appropriation of prior year savings in an amount of NT\$4,884 million.

3/ Expenditure breakdown differs from the source material because of the Embassy's effort to place in the "Defense" category all expenditures actually controlled by the Ministry of National Defense.

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Table 2

CONSOLIDATED BUDGET BY LEVEL OF GOVERNMENT<sup>1/</sup>, FYs 1975 & 1976

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	FY1976				
	Total (1)	Central Gov't (2)	Taiwan P. Gov't (3)	Taipei C. Gov't (4)	Local Gov'ts (5)
1. RECEIPTS, Total of Current & Non-current Receipts	<u>130,743</u>	<u>87,507</u>	<u>21,032</u>	<u>9,252</u>	<u>12,952</u>
2. Tax Revenue & Monopoly Profits	95,828	64,333	13,917	7,186	10,392
3. Enterprise Profits & Agency Operational Revenue	11,642	8,922	2,456	199	65
4. Fees and Fines	5,251	2,392	1,189	364	1,306
5. All Other Current Revenue	6,340	2,702	1,731	1,010	897
6. Total Current Revenue	<u>119,061</u>	<u>78,349</u>	<u>19,293</u>	<u>8,759</u>	<u>12,660</u>
7. Bond Sales and Borrowings	4,850	3,500	1,050	300	0
8. Sales of Government Properties & Investments	6,832	5,658 <sup>2/</sup>	689	193	292
9. Total of Non-Current Receipts	<u>11,682</u>	<u>9,158</u>	<u>1,739</u>	<u>493</u>	<u>292</u>
10. EXPENDITURES <sup>3/</sup>	<u>132,676</u>	<u>83,926</u>	<u>16,144</u>	<u>9,452</u>	<u>23,154</u>
11. Defense	47,014	47,014	0	0	0
12. General Admn., Incl. Police Force	13,886	4,590	1,603	1,573	6,120
13. Education, Science & Culture	21,740	4,252	4,267	3,000	10,221
14. Economic Development	31,400	18,340	6,712	3,098	3,250
15. Social Welfare	7,587	2,540	1,822	1,411	1,814
16. Other	6,936	4,246	898	313	1,479
17. Debt Service (Principal & Interest Payments)	4,114	2,945	842	57	270
18. SURPLUS OR DEFICIT (-)	<u>-1,933</u>	<u>3,581</u>	<u>4,888</u>	<u>-200</u>	<u>-10,202</u>

Source: "Reference Materials" appended to the FY1976 Central Government Budget  
(Totals and Sub-totals separately rounded)

Notes: <sup>1/</sup> See <sup>1/</sup> of Table 1

<sup>2/</sup> See <sup>2/</sup> of Table 1

<sup>3/</sup> See <sup>3/</sup> of Table 1

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	FY1975				
	Total	Central Gov't	Taiwan P. Gov't	Taipei C. Gov't	Local Gov'ts
	(6)	(7)	(8)	(9)	(10)
1. RECEIPTS, Total of Current & Non-current Receipts	<u>111,185</u>	<u>76,251</u>	<u>16,688</u>	<u>7,463</u>	<u>10,783</u>
2. Tax Revenue & Monopoly Profits	85,688	58,540	12,619	6,043	8,486
3. Enterprise Profits & Agency Operational Revenue	10,794	8,970	1,636	160	28
4. Fees and Fines	4,238	2,100	796	268	1,074
5. All Other Current Revenue	4,270	1,682	776	817	995
6. Total Current Revenue	<u>104,989</u>	<u>71,291</u>	<u>15,827</u>	<u>7,288</u>	<u>10,583</u>
7. Bond Sales and Borrowings	4,150	3,500	623	...	27
8. Sales of Government Properties & Investments	2,045	1,459	238	175	173
9. Total of Non-Current Receipts	<u>6,195</u>	<u>4,959</u>	<u>861</u>	<u>175</u>	<u>200</u>
10. EXPENDITURES <sup>3/</sup>	<u>111,500</u>	<u>72,109</u>	<u>13,056</u>	<u>7,663</u>	<u>18,672</u>
11. Defense	42,328	42,328	0	0	0
12. General Admn., Incl. Police Force	14,979	4,290	2,294	1,326	7,069
13. Education, Science & Culture	15,529	3,345	2,928	2,483	6,773
14. Economic Development	23,813	13,814	5,500	2,429	2,070
15. Social Welfare	6,174	2,393	1,318	1,083	1,380
16. Other	4,990	3,070	407	267	1,246
17. Debt Service (Principal and Interest Payments)	3,688	2,870	609	75	134
18. SURPLUS OR DEFICIT (-)	<u>-315</u>	<u>4,142</u>	<u>3,632</u>	<u>-200</u>	<u>-7,889</u>

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Table 5 CENTRAL GOVERNMENT BUDGET, RECEIPTS BY SOURCE OF FINANCING  
FYs 1975 and 1976

	In NT\$ Million		In % of Total		% Increase or Decrease
	FY1976	FY1975	FY1976	FY1975	1975/1976
1. TOTAL CURRENT REVENUE	78,349	71,291	89.5	93.5	9.9
2. Tax Revenue, Total	55,140	50,401	63.0	66.1	9.4
3. Income Tax & Inheritance Tax	(11,085)	(11,079)	(12.7)	(14.5)	(0.1)
4. Customs Duty	(25,046)	(21,664)	(28.6)	(28.4)	(15.6)
5. Commodity, Business & Stamp Tax	(18,048)	(16,801)	(20.6)	(22.0)	(7.4)
6. Land Tax	(597)	(468)	(0.7)	(0.6)	(27.5)
7. All Other <sup>1/</sup>	(364)	(389)	(0.4)	(0.5)	(-6.4)
8. Monopoly Profits	9,193	8,138	10.5	10.7	13.0
9. Enterprise Profits	6,856	6,711	7.8	8.8	2.2
10. Other Investment Income & Agency Operational Income	2,283	2,380	2.6	3.1	-4.0
11. Revenue from Fines & Indemnity Payments	1,037	693	1.2	0.9	49.7
12. Fee Collection	1,355	1,407	1.5	1.8	-3.7
13. Other Current Revenue	2,485	1,562	2.8	2.0	59.1
14. TOTAL NON-CURRENT RECEIPTS FOR DEFICIT FINANCING	9,157	4,959	10.5	6.5	84.7
15. Sales of Government Properties	774	1,459	0.9	1.9	-47.0
16. Bond Sales	3,500	3,500	4.0	4.6	0
17. Appropriation of Prior Year Savings after Budget Execution	4,884	0	5.6		+
18. GRAND TOTAL: CURRENT REVENUE & NON-CURRENT RECEIPTS	87,507	76,251	100.0	100.0	14.8

Source: Central Government Budget for FYs 1975 and 1976.

Notes: (Totals and sub-totals separately rounded; ... for less than the minimum fractional unit.)

<sup>1/</sup> Includes Salt Tax, Securities Exchange Tax, Mining Lot Tax, and Plate Tax.LIMITED OFFICIAL USE

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Table 4

CENTRAL GOVERNMENT, BUDGET EXPENDITURES BY FUNCTION  
FYs 1975 and 1976

	<u>In NT\$ Million</u>		<u>In % of Total</u>		<u>% Increase or Decrease, 1976/1975</u>
	<u>FY1976</u>	<u>FY1975</u>	<u>FY1976</u>	<u>FY1975</u>	
1. Carrying Out People's Right (National Assembly)	247	245	0.3	0.3	0.8
2. State Affairs	162	150	0.2	0.2	7.7
3. Administration	823	569	0.9	0.7	44.5
4. Legislation	126	122	0.1	0.2	3.0
5. Judicial	1,136	940	1.3	1.2	20.8
6. Examination	96	75	0.1	0.1	27.8
7. Control	99	92	0.1	0.1	8.1
8. Civil Affairs	208	75	0.2	0.1	176.1
9. National Defense	47,014	42,328 <sup>2/</sup>	53.7	55.5	11.1
10. Foreign Affairs	1,615	1,706	1.8	2.2	-5.3
11. Public Finance	1,147	1,211	1.3	1.6	-5.3
12. Education, Science and Culture	4,252	3,345	4.9	4.4	27.1
13. Economic Development	2,537	1,355	2.9	1.8	87.2
14. Transportation and Communications	1,324	594	1.5	0.8	123.0
15. Health	163	72	0.2	0.1	124.4
16. Social Welfare and Relief	1,919	1,635	2.2	2.1	17.4
17. Frontier Affairs	16	14	...	...	12.0
18. Overseas Chinese Affairs	188	148	0.2	0.2	27.6
19. Debt Service	2,945	2,870	3.4	3.8	2.6
20. Civil Employees' Retirement, Death Benefits & Ins.	459	686	0.5	0.9	-33.1
21. Trust Administration (National Tax Collection Charges)	431	417	0.5	0.5	3.5
22. Subsidies (Principally to Taiwan Provincial Govn't)	4,471	4,427	5.1	5.8	1.0
23. Government Enterprise Fund & Investment Expd'ts	14,479	11,865	16.5	15.6	22.0
24. Other	752	460	0.9	0.6	63.3
25. Unspecified Reserves	900	850	1.0	1.1	5.9
26. Grand Total	<u>87,507</u>	<u>76,250</u>	<u>100.0</u>	<u>100.0</u>	<u>111.8</u>
27. Of the above grand total, current expenditures <sup>3/</sup>	<u>65,012</u>	<u>59,804</u>	<u>74.3</u>	<u>78.4</u>	<u>8.7</u>
28. Of the above grand total, capital expenditures <sup>3/</sup>	<u>22,495</u>	<u>16,446</u>	<u>25.7</u>	<u>21.6</u>	<u>36.8</u>

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Table (Cont'd)

Source: Central Government Budget for FYs 1975 and 1976.

Notes: (Totals and sub-totals separately rounded. ... for less than the minimum fractional unit.)

- 1/ Differs from the previously submitted FY1975 budget in which the increased pay for various organizations was lumped in one category entitled "Reserve for Increased Pay".  
Pay increase by organization is now available from the foot notes to FY1976 budget, for both fiscal years.
- 2/ Adjusted downward from last year on the basis of information in the the FY1976 budget concerning the pay increase.
- 3/ Capital expenditures of a defense nature are listed under current expenditures.

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Table 3

CENTRAL GOVERNMENT BUDGET, EXPENDITURE BY ORGANIZATION  
FYs 1975 and 1976

	<u>In NT\$ Million</u>		<u>% of Total</u>		<u>% Increase or Decrease</u>
	<u>FY1976</u>	<u>FY1975</u>	<u>FY1976</u>	<u>FY1975</u>	<u>1975/1976</u>
1. National Assembly	247	245	0.3	0.3	0.8
2. Office of the President	1,148	214	1.3	0.3	436.8
a. President's Office	106	97			
b. Academia Sinica, and Other Agencies under the President	142	117			
c. Capital Investment in Central Bank	900	0			
3. Executive Yuan	1,276	630	1.5	0.8	102.4
a. Yuan Office	121	107			
b. Government Information Office, DGBAS, Health Adm., etc.	488	305			
c. Gov't Employees' Housing Loan Fund, Interest Subsidy, etc. (incl. subsidy to China Broadcasting Corp.)	667	219			
4. Legislative Yuan	126	122	0.1	0.2	3.0
5. Judicial Yuan	82	49	0.1	0.1	69.6
6. Examination Yuan	436	449	0.5	0.6	-2.9
a. Yuan Office	17	16			
b. Ministry of Personnel - for Civil Service Pension, Insurance, etc. only	340	374			
c. Other	79	59			
7. Control Yuan	99	92	0.1	0.1	8.1
8. Ministry of Interior	366	175 <sup>2/</sup>	0.4	0.2	109.2
a. Police Adm. Central Police Academy	155	89			
b. Subsidy to Free China Relief Association	46	14			
c. Survey for Land Registration	62	10			
d. All Other	103	62			
9. Ministry of Foreign Affairs	1,576	1,700	1.8	2.2	-7.3
a. Embassies & Legations Stationed Abroad	719	706			
b. International Technical Cooperation	400	484			
c. Other	457	510			

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Table (Cont'd)

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	<u>In NT\$ Million</u>		<u>% of Total</u>		<u>% Increase or Decrease</u>
	<u>FY1976</u>	<u>FY1975</u>	<u>FY1976</u>	<u>FY1975</u>	<u>1975/1976</u>
10. Ministry of National Defense	<u>47,014</u>	<u>42,328<sup>3/</sup></u>	<u>53.7</u>	<u>55.5</u>	<u>11.1</u>
a. Minister's Office	12	13			
b. Ministry of National Defense	45,541	41,007			
c. Taiwan Garrison Command	1,460	1,308			
11. Ministry of Finance	<u>9,090</u>	<u>6,846</u>	<u>10.4</u>	<u>9.0</u>	<u>32.8</u>
a. Debt Service	2,942	2,867			
b. Investments in MOF-owned Enterprises - Central Trust, etc.	444	165			
c. Non-profit Funds - Food Stabil. Fund, Development Fund, etc.	4,000	2,363			
d. Fee for Tax Collection	431	417			
e. Customs, Bureau of National Taxes, & Other Agencies Under Ministry	1,046	917			
f. Other	227	116			
12. Ministry of Education	<u>2,811</u>	<u>1,955</u>	<u>3.2</u>	<u>2.6</u>	<u>43.8</u>
a. Universities, Colleges & Secondary Schools of Central Gov't	2,089	1,955			
b. Subsidy to the Central Daily News	86	56			
c. Affiliated Agencies of the Ministry - Science & Hist Museums, Central Lib.	76	58			
d. Other	559	286			
13. Ministry of Justice	<u>1,088</u>	<u>908</u>	<u>1.2</u>	<u>1.2</u>	<u>19.8</u>
a. Taiwan High Court	474	457			
b. Bureau of Investigation	254	228			
c. Other	359	223			
14. Ministry of Economic Affairs	<u>9,809</u>	<u>10,153</u>	<u>11.2</u>	<u>13.3</u>	<u>-3.4</u>
a. Subsidies to Ind. Research Inst.; Various Development Funds	1,897	1,005			
b. Investments in Solely Owned Enterprises	4,586	5,841			
c. Investments in Non-profit Projects	483	69			
d. Investments in Jointly Owned Enterprises	1,696	2,357			
e. MOEA & Affiliated Agencies	1,147	881			

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	In NT\$ Million		% of Total		% Increase or Decrease 1975/1976
	FY1976	FY1975	FY1976	FY1975	
15. Ministry of Communications	<u>2,741</u>	<u>2,490</u>	<u>3.1</u>	<u>3.3</u>	<u>10.1</u>
a. Subsidy to Road Construction & Safety Devises	849	774			
b. International Broadcasting Project	166	248			
c. Civil Aeronautics Development Projects	1,376	1,146			
d. MOC & Affiliated Agencies	349	322			
16. Mongolian & Tibetan Affairs Commission	<u>23</u>	<u>21</u>	<u>...</u>	<u>...</u>	<u>8.8</u>
17. Overseas Affairs Commission	<u>204</u>	<u>162</u>	<u>0.2</u>	<u>0.2</u>	<u>25.6</u>
18. Vocational Assistance Commission for Retired Servicemen	<u>1,689</u>	<u>1,451</u>	<u>1.9</u>	<u>1.9</u>	<u>16.4</u>
a. VACRS Hospital Maintenance	411	376			
b. Medical Care for Retired Servicemen	407	352			
c. Retired Servicemen's Unemployment Relief	117	82			
d. Subsistence for Ex-servicement not Fit for Military Life	407	348			
e. Non-profit Business Fund	185	124			
f. All Other	163	170			
19. National Science Council	<u>490</u>	<u>396</u>	<u>0.6</u>	<u>0.5</u>	<u>23.7</u>
20. Atomic Energy Commission	<u>696</u>	<u>539</u>	<u>0.8</u>	<u>0.7</u>	<u>28.9</u>
21. Other	<u>5,595</u>	<u>4,475</u>	<u>6.4</u>	<u>5.9</u>	<u>25.0</u>
a. Civil Employees' Fringe Benefits	1,180	837			
b. Subsidy to Taiwan Provincial Government	4,189	3,422			
c. Subsidy to Taipei City Government	200	200			
d. Other	26	16 <sup>2/</sup>			
22. Second Reserve	<u>900</u>	<u>850</u>	<u>1.0</u>	<u>1.1</u>	<u>5.9</u>
Total	<u>87,507</u>	<u>76,250</u>	<u>100.0</u>	<u>100.0</u>	<u>14.8</u>

Source: Central Government Budget for FYs 1975 and 1976.

Notes: (Totals and sub-totals separately rounded; ... for less than the minimum fractional unit.)

1/ See footnote 1 in table 4.

2/ Includes amount shown in b transferred from 21d where it was originally for sake of consistency.

3/ See footnote 2 in table 4.

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Table 5

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CENTRAL GOVERNMENT BUDGET, DEFENSE EXPENDITURES  
 FYs 1975 and 1976

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	<u>In NT\$ Million</u>		<u>In % of Total</u>		<u>% Increase</u>
	<u>FY1976</u>	<u>FY1975</u>	<u>FY1976</u>	<u>FY1975</u>	<u>or Decrease</u>
					<u>1976/1975</u>
1. Ministry of National Defense (MND) - Office of the Minister	<u>12</u>	<u>13<sup>1</sup>/<sub>1</sub></u>	<u>...</u>	<u>...</u>	<u>-5.8</u>
2. Expenditures Discharged by MND	<u>45,541</u>	<u>41,007</u>	<u>96.9</u>	<u>96.9</u>	<u>11.1</u>
3. Military Personnel	<u>17,160</u>	<u>15,091<sup>1</sup>/<sub>1</sub></u>	<u>36.5</u>	<u>35.7</u>	<u>13.7</u>
a. Pay	<u>11,101</u>	<u>10,810</u>	<u>23.6</u>	<u>25.5</u>	
b. Principal Food & Subsistence	<u>5,327</u>	<u>3,648</u>	<u>11.3</u>	<u>8.6</u>	
c. Clothing	<u>731</u>	<u>632</u>	<u>1.6</u>	<u>1.5</u>	
4. Retirement and Insurance	<u>6,292</u>	<u>5,153<sup>1</sup>/<sub>1</sub></u>	<u>13.4</u>	<u>12.2</u>	<u>22.1</u>
5. Dependents	<u>2,575</u>	<u>1,923</u>	<u>5.5</u>	<u>4.5</u>	<u>33.9</u>
a. Ration in Kind	<u>1,391</u>	<u>750</u>	<u>3.0</u>	<u>1.8</u>	
b. Subsidies & Allowances	<u>1,183</u>	<u>1,173</u>	<u>2.5</u>	<u>2.8</u>	
6. Human Resources Support	<u>1,312</u>	<u>1,030</u>	<u>2.8</u>	<u>2.4</u>	<u>27.3</u>
a. Military Education	<u>226</u>	<u>200<sup>1</sup>/<sub>1</sub></u>	<u>0.5</u>	<u>0.5</u>	
b. Medical Care & Welfare	<u>833<sup>2</sup>/<sub>2</sub></u>	<u>617</u>	<u>1.8</u>	<u>1.5</u>	
c. Compensation & Burial	<u>206</u>	<u>163</u>	<u>0.4</u>	<u>0.4</u>	
d. Dependents Administration	<u>47</u>	<u>51</u>	<u>0.1</u>	<u>0.1</u>	
7. Political Warfare	<u>308</u>	<u>272</u>	<u>0.7</u>	<u>0.6</u>	<u>13.1</u>
8. Intelligence	<u>1,687</u>	<u>1,445</u>	<u>3.6</u>	<u>3.4</u>	<u>16.7</u>
Of which, operation on Mainland China	<u>1,535</u>	<u>1,304<sup>1</sup>/<sub>1</sub></u>	<u>3.3</u>	<u>3.1</u>	
9. Warfare Training	<u>707</u>	<u>681</u>	<u>1.5</u>	<u>1.6</u>	<u>3.8</u>
10. Mobilization - mainly administration of reserve force	<u>144</u>	<u>113</u>	<u>0.3</u>	<u>0.3</u>	<u>28.2</u>
11. Supplies & Maintenance	<u>7,331</u>	<u>6,991</u>	<u>15.6</u>	<u>16.5</u>	<u>4.9</u>
a. Purchases of Supplies	<u>4,879</u>	<u>4,872</u>	<u>10.4</u>	<u>11.5</u>	
b. Production of Supplies	<u>764</u>	<u>790</u>	<u>1.6</u>	<u>1.9</u>	
c. Military Transportation	<u>274</u>	<u>262</u>	<u>0.6</u>	<u>0.6</u>	
d. Maintenance of Military Bases	<u>794</u>	<u>619</u>	<u>1.7</u>	<u>1.5</u>	
e. All Other	<u>621</u>	<u>447</u>	<u>1.3</u>	<u>1.1</u>	

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	In NT\$ Million		In % of Total		% Increase or Decrease 1975/1976
	FY1976	FY1975	FY1976	FY1975	
12. Military Equipment	<u>3,812</u>	<u>4,224</u>	<u>8.1</u>	<u>10.0</u>	<u>-9.8</u>
a. Purchases of Equipment	2,043	2,426	4.3	5.7	
b. Production of Equipment	1,709	1,786	3.6	4.2	
c. Experimental Production	61	12	0.1	...	
13. Military Structures	<u>88</u>	<u>98</u>	<u>0.2</u>	<u>0.2</u>	<u>-10.2</u>
14. Administration	<u>1,018</u>	<u>892</u>	<u>2.2</u>	<u>2.1</u>	<u>14.2</u>
15. Science & Research	<u>813</u>	<u>747</u>	<u>1.7</u>	<u>1.8</u>	<u>8.8</u>
16. Construction of Facilities	<u>1,552</u>	<u>1,684</u>	<u>3.3</u>	<u>4.0</u>	<u>-7.8</u>
a. Construction of Buildings	551	486	1.2	1.1	
b. Transportation Facilities	504	472	1.1	1.1	
c. Production Facilities (Machine Shop Facilities)	349	596	0.7	1.4	
d. All Other	148	130	0.3	0.3	
17. Science & Research Facilities	<u>332</u>	<u>312</u>	<u>0.7</u>	<u>0.7</u>	<u>6.4</u>
18. Investment in China Cultural Enterprise Co., Ltd.	<u>60</u>	<u>0</u>	<u>0.1</u>	<u>0</u>	<u>n.p.</u>
19. First Reserve Fund	<u>350</u>	<u>350</u>	<u>0.7</u>	<u>0.8</u>	<u>0</u>
20. Taiwan Garrison Command	<u>1,460</u>	<u>1,308</u>	<u>3.1</u>	<u>3.1</u>	<u>11.7</u>
a. Of which, military personnel pay, ration & clothing	1,173	1,079 <sup>1/</sup>	2.5	2.6	
21. Total	<u>47,014</u>	<u>42,328<sup>1/</sup></u>	<u>100.0</u>	<u>100.0</u>	<u>11.1</u>

Source: Central Government Budget for FYs 1975 and 1976.

Notes: (Total and sub-totals separately rounded; ... = less than the minimum fractional unit; n.p. = not possible.)

<sup>1/</sup> Differs from the previously submitted FY1975 budget because of the inclusion of the NT\$5,116 million pay increase for military personnel, distributed among the appropriate line items.<sup>2/</sup> Includes NT\$59.58 million representing financial assistance to the military personnel housing project listed separately in the original FY1976 budget but grouped under "welfare" in this table.LIMITED OFFICIAL USE

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CENTRAL GOVERNMENT BUDGET, INVESTMENT EXPENDITURES  
FYs 1975 and 1976

	<u>In NT\$ Million</u>		<u>In % of Total</u>		<u>% Increase or Decrease 1975/1976</u>
	<u>FY1976</u>	<u>FY1975</u>	<u>FY1976</u>	<u>FY1975</u>	
1. Direct Investment	5,959	5,982	41.2	50.4	-0.4
2. Central Bank of China	900 1/2	0	6.2		
3. Farmers' Bank of China	0	109		0.9	
4. Central Trust of China	300 1/2	0	2.1		
5. China Insurance Company, Ltd.	20 1/2	0	0.1		
6. Taiwan Salt Works	124	0	0.9		
7. Taiwan Power Company	1,775 1/2	1,766 1/2	12.3	14.9	5.1
8. Taiwan Fertilizer Corporation	650	300	4.5	2.5	116.7
9. Chinese Petroleum Corporation	1,410	3,425 1/2	9.7	28.9	-58.8
10. Taiwan Shipbuilding Corporation	100	100	0.7	0.8	
11. Bureau of Engineering Services Corporation	50 1/2	100	0.3	0.8	-50.0
12. Taiwan Machinery Corporation	200	100	1.4	0.8	100.0
13. China Phosphorus Corporation	200	50	1.4	0.4	300.0
14. Yao-hua Glass Corporation	2 1/2	7 1/2	...	0.1	-73.2
15. Taiwan Aluminum Corporation	150	0	1.0		
16. Taiwan Sugar Corporation	1 1/2	0	...		
17. Taiwan Metal Mining Corporation	50	0	0.3		
18. China Merchants Steamship Navigation Co.	27	25	0.2	0.2	6.3
19. Portfolio Investment	1,696	2,407	11.7	20.3	-29.5
20. China Steel Corporation	1,242	1,731	8.5	14.6	-28.2
21. China Shipbuilding Corporation	452	358	3.1	3.0	26.4
22. International Bank of Reconstruction & Development	0	30	0	0.3	
23. Asian Development Bank	0	26	0	0.2	
24. China Cultural Enterprise Co., Ltd.	2 1/2	1 1/2	0.1	...	143.5
25. China Gulf Oil Company, Ltd.	0	74	0	0.6	
26. Overseas Forest Resources Development Corp.	0	100	0	0.8	
27. China Pulp Corporation	0	87 1/2	0	0.7	

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T. A. (Cont'd)

	<u>In NT\$ Million</u>		<u>In % of Total</u>		<u>% Increase</u>
	<u>FY1976</u>	<u>FY1975</u>	<u>FY1976</u>	<u>FY1975</u>	<u>or Decrease</u>
					<u>1975/1976</u>
28. Non-Profit Projects	6,824	3,476	47.1	29.3	96.3
29. Palace Museum - Publications Revolving Fund	1	10	...	0.1	-85.6
30. Bureau of Personnel - Government Employees' Housing Program	390	81	2.7	0.7	379.6
31. Ministry of Finance - Development Fund	2,000	1,860 <sup>1/</sup>	13.8	15.7	7.5
32. Ministry of Finance-- Food Stabilization Fund	2,000	0	13.8		
33. Ministry of Education - School & Museum Projects Revolving Fund	140	84	1.0	0.7	67.4
34. Ministry of Justice - Prisoners' Vocational Training Fund	16 <sup>1/</sup>	6 <sup>1/</sup>	0.1	...	168.9
35. Ministry of Econ.Affairs - Industrial Site Development Fund	483 <sup>1/</sup>	69 <sup>1/</sup>	3.3	0.6	597.3
36. Ministry of Econ.Affairs - Export Processing Zone Operational Revolving Fund	83 <sup>1/</sup>	96 <sup>1/</sup>	0.6	0.8	-13.6
37. Ministry of Econ.Affairs - Coal Mining Rationalization Fund	150	0	1.0		
38. Ministry of Communications - Civil Aeronautics Development Fund	1,376	1,146	9.5	9.7	20.1
39. Commission for Retired Servicemen - Operational Revolving Fund	185	124	1.3	1.0	49.4
Total:	<u>14,479</u>	<u>11,865</u>	<u>100.0</u>	<u>100.0</u>	<u>22.0</u>

Source: Central Government Budget for FY1975 and FY1976

(Totals and sub-totals are separately rounded; ...=less than the minimum fractional unit)

Notes: <sup>1/</sup> At least the major portion is represented by non-cash book transfers of retained earnings or prior year unused balance.LIMITED OFFICIAL USE

Table

CENTRAL GOVERNMENT BUDGET, ESTIMATE OF FOREIGN EXCHANGE EXPENDITURES  
FYs 1975 and 1976Encl. to Taipei A  
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	In US\$1,000		In % of Total		% Increase or Decrease 1976/1975
	FY1976	FY1975	FY1976	FY1975	
1. Executive Yuan	152	215	...	0.1	-29.3
2. Government Information Office	1,413	807	0.4	0.3	75.1
3. Ministry of Interior	1,685	498	0.5	0.2	238.4
a. Including Equipment for the Criminal Police Squad	1,194	52	0.4	...	2,196.2
4. Ministry of Foreign Affairs	37,199	38,329	11.0	12.9	2.9
a. Diplomatic Missions Stationed Abroad	18,897	19,598	5.6	6.6	-3.6
b. Economic, Cultural & Information Programs Abroad	11,000	11,000	3.2	3.7	0
c. Other	7,302	7,731	2.2	2.6	-5.5
5. Ministry of National Defense	260,924	220,133	76.8	74.2	18.5
a. Supplies and Maintenance	94,287	86,399	27.8	29.1	9.1
b. Military Equipment	99,019	77,709	29.2	26.2	27.4
c. Other	67,618	56,025	19.9	18.9	20.7
6. Ministry of Finance	2,742	2,939	0.8	1.0	-6.7
a. Including Subscription to IBRD & ADB	0	1,467	0	0.5	-
b. Including Purchases of Customs Vessels & Other Equip.	2,554	862	0.8	0.3	196.3
7. Ministry of Education	7,125	4,239	2.1	1.4	68.1
a. Including Subsidy to the Central News Agency	1,589	989	0.5	0.3	60.7
8. Ministry of Justice-Bureau of Investigation	1,802	1,510	0.5	0.5	19.3
9. Ministry of Economic Affairs	2,128	3,180	0.6	1.1	-33.1
a. Including Trade Promotion Program	1,235	811	0.4	0.3	52.3
10. Ministry of Communications	7,236	7,067	2.1	2.4	2.4
a. Including Broadcasting & Telecommunications Equip.	4,190	4,248	1.2	1.4	-1.4
b. Including Civil Aeronautics Equipment	2,388	2,106	0.7	0.7	13.4
11. Overseas Chinese Affairs Commission	2,076	2,004	0.6	0.7	3.6
12. Commission for Retired Servicemen - chiefly for hospital equipment	3,980	3,520	1.2	1.2	13.1

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Table 1 (Cont'd)

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	<u>In US\$1,000</u>		<u>In % of Total</u>		<u>% Increase or Decrease 1976/1975</u>
	<u>FY1976</u>	<u>FY1975</u>	<u>FY1976</u>	<u>FY1975</u>	
13. National Science Council	<u>3,367</u>	<u>3,207</u>	<u>1.0</u>	<u>1.1</u>	<u>5.0</u>
14. Atomic Enrgy Commission	<u>7,150</u>	<u>8,657</u>	<u>2.1</u>	<u>2.9</u>	<u>-17.4</u>
15. All Other	<u>630</u>	<u>322</u>	<u>0.2</u>	<u>0.1</u>	<u>95.6</u>
Total	<u>339,608</u>	<u>296,628</u>	<u>100.0</u>	<u>100.0</u>	<u>14.5</u>

Source: Central Government Budget for FYs 1975 and 1976 - Reference Material

Notes: (Totals and sub-totals separately rounded; ... denotes less than the minimum fractional unit)

1/ 99.6% and 98.8% of the above foreign exchange expenditures are to be spent in US currency in FY1975 and 1976.

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